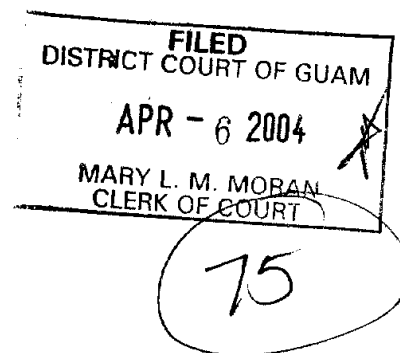


LAW OFFICES OF BRONZE & TANG

A Professional Corporation
BankPacific Building, 2nd Floor
825 South Marine Drive
Tamuning, Guam 96913
Telephone: (671) 646-2001
Facsimile: (671) 647-7671



*Attorneys for Defendant
Hongkong and Shanghai Banking Corporation, Ltd.*

DISTRICT COURT OF GUAM

ALAN SADHWANI, LAJU
SADHWANI, and K. SADHWANI'S
INC., a Guam corporation,

Plaintiffs,

v.

HONGKONG AND SHANGHAI
BANKING CORPORATION, LTD.,
et al.,

Defendants.

CIVIL CASE NO. 03-00036

**DECLARATION OF
I.C. UNDERWOOD**

I, I. C. UNDERWOOD, do hereby declare and state as follows:

1. All matters herein are based on my own personal knowledge.
2. I am the Manager Guam and Saipan of Defendant Hongkong and Shanghai Banking Corporation, Ltd., ("HSBC"), in the above-entitled matter.
3. I am over 18 years of age, and legally competent to testify to the facts below and I do so based upon my own personal knowledge.
4. Attached as Exhibit "1," is a true and correct copy of the Workout Agreement executed on May 31, 2001, by K. Sadhwani's Inc. ("KSI").

5. Attached as Exhibit "2," is a true and correct copy of the Amendment to Credit Facility/Lease executed on November 6, 2002, by HSBC and KSI and its guarantors.

7. HSBC will agree to make myself available in Guam, for any deposition should I be relocated and the stay be granted. In addition, HSBC agrees to make Mr. Granillo available for depositions in Guam so long that he is employed with HSBC.

8. HSBC vacated KSI's building in Tamuning in or about March 2003.

9. Although HSBC has announced its closure of its Guam offices, the target date for closure is December of 2004.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

EXECUTED this 5th day of April 2004.

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke ending in a small loop.

I. C. UNDERWOOD



Our Ref: GUM CCU 010039

PRIVATE AND CONFIDENTIAL

31 May 2001

K. Sadhwani Inc.
371 South Marine Drive
Tamuning, Guam 96911

Attn.: Mr. Alan Sadhwani, President

Re: **WORKOUT AGREEMENT**

Dear Mr. Sadhwani,

HSBC CORPORATE BANKING		
RECEIVED BY / DATE:		
CRF COPY BY / DATE:	13 Aug 01	KH
I/E INITIAL / DATE:	13 Aug 01	KH

With reference to our recent discussions, we, The Hongkong and Shanghai Banking Corporation Limited (the "Bank"), propose to amend the banking facilities available to K. Sadhwani Inc. These amendments reflect our requirement that you reduce facilities by at least USD750,000 by 30 July 2001 and our understanding that you will achieve this by the sale of non-core property holdings of the company.

The balance outstanding on the various existing facilities at 29 May 2001 was:

	<u>Principal</u>	<u>Interest</u>	<u>Balance</u>
Term Loan (363)	346,496.83	12,484.71	358,981.54
Term Loan (364)	358,765.83	7,949.87	366,715.70
Term Loan (365)	248,048.43	5,273.50	253,321.93
Term Loan (362)	5,695,861.35	657,943.28	6,353,804.63
Total Term loans	6,649,172.44	683,651.36	7,332,823.80
Overdraft	534,109.21	3,545.63	537,654.84
Clean Import Loan's*	164,610.85	2,348.16	166,959.01
Letters of Credit*			158,467.17
Standby DC's*			366,000.00
TOTAL FACILITIES	7,872,359.67	689,545.15	8,561,904.82
Deposits under lien			296,575.17
NET DUE TO HSBC			8,265,329.65

* See attached schedule for details.

The Hongkong and Shanghai Banking Corporation Limited
Trade Services, Post Office Box 27C, Hagåtña, Guam 96932 U.S.A.
436 South Marine Drive, Tamuning, Guam 96911
Tel: (671) 647-8588 Fax: (671) 646-3767

Case 1:03-cv-00036
Incorporated in Hong Kong SAR with limited liability.

Document 77

Filed 04/06/2004

EXHIBIT

Page 3 of 10

K. Sadhwani's Inc.
Our Ref: GUM CCU 010039
Page 2 of 4

We propose to restructure the facilities on the following basis:

1. Term Loan USD7,500,000.00

Repayable at USD75,000 per month inclusive of interest at the Bank's Base Lending Rate (BBLR) + 1%.

Rental payments from HSBC, Deloitte & Touche and Kim Chee Stores are to be banked to a separate account with HSBC from which this loan payment will be deducted. The loan is also subject to partial early repayment as set out in paragraphs 2 and 3 below.

This loan will be on an annual renewal basis (next review 30 June 2002) and the bank reserves the right in its sole discretion to call for repayment in full or increase the payment amount at each review.

2. Short Term Loan USD770,000

Repayable in full by 31 July 2001, with interest at maturity at BBLR + 2%. The proceeds of the sale of properties will be applied to pay off this loan and any surplus will be applied to reduce the Term Loan in 1. above.

The bank reserves the right to proceed with foreclosure on the properties held as security if this loan is not repaid by due date.

3. Trade Finance Facilities USD366,000

We will allow the Standby Documentary Credits, totalling USD366,000, to remain open but only on a cash secured basis.

In the event of the reduction or cancellation of any of the Standby Documentary Credits, the cash used as security for these facilities will be used to reduce the Term Loan in 1. above.

4. Current Account

The current account may still be used but no overdraft limit will be provided and no excesses allowed.

The "Bank's Base Lending Rate" means the rate established by the New York Office of the Bank at its discretion and in good faith for the general pricing of its short term loans to ordinary commercial borrowers. Such rates may be changed from time to time.

K. Sadhwani's Inc.
Our Ref: GUM CCU 010039
Page 3 of 4

Interest on overdue amounts, both principal and interest, will accrue additional interest at 5.0% over the above rate.

The existing terms and conditions, including security, for the banking facilities remain unchanged.

Please sign and return to us this letter to signify your understanding and acceptance of the terms and conditions under which this workout agreement is granted.

This workout agreement will remain open for acceptance until the close of business on 06 June 2001.

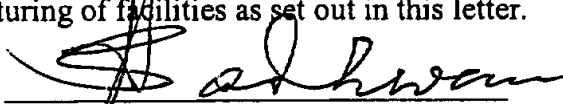
Yours sincerely,



Stephen Grantham
Senior Vice President – Corporate Banking

Borrower's Acknowledgment and Acceptance

On behalf of K. Sadhwani Inc., I hereby accept the terms, and conditions of the restructuring of facilities as set out in this letter.



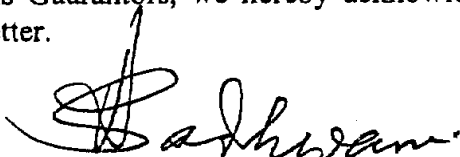
By: Alan Sadhwani
Its: President



Date:

Guarantors Acknowledgment:

As Guarantors, we hereby acknowledge the terms and conditions of this commitment letter.



By: Alan Sadhwani



By: Laju Sadhwani

Date:



Requesting extension on July 30 2001 deadline. Thank You.

K. Sadhwani's Inc.
Our Ref: GUM CCU 010039
Page 4 of 4

K. Sadhwani Inc.
Outstanding Trade Facilities
29 May 2001

Outstanding CIL's

CIL (026) due 09MAY	8,915.05	64.14	8,979.19
CIL (074) due 29MAY	5,100.00	153.46	5,253.46
CIL (174) due 27JUN	28,775.71	626.47	29,402.18
CIL (231) due 18JUL	12,820.62	209.94	13,030.56
CIL (230) due 18JUL	8,913.83	145.96	9,059.79
CIL (274) due 03AUG	61,530.00	766.56	62,296.56
CIL (280) due 07AUG	7,879.54	82.30	7,961.84
CIL (296) due 10AUG01	19,214.00	206.68	19,420.68
CIL (330) due 21 AUG01	11,462.10	92.65	11,554.75
TOTAL CIL's	164,610.85	2,348.16	166,959.01
Sharp LC USD Available	149,386.97		149,386.97
Sharp LC JPY Available	9,080.20		9,080.20
Standby DC - Sharp	100,000.00		100,000.00
Standby DC - Frigidaire	100,000.00		100,000.00
Standby DC - Panasonic	100,000.00		100,000.00
Standby DC - AIRS	66,000.00		66,000.00

AMENDMENT TO CREDIT FACILITY/LEASE

This instrument is made as of this 6th day of NOVEMBER, 2002, by and among THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED, a foreign corporation ("Lender") and K. SADHWANI'S, INC., (the "Borrower"), and ALAN SADHWANI and LAJU SADHWANI, (the "Guarantors").

RECITALS:

- A. Borrower has heretofore executed and delivered in favor of Lender certain banking facilities amended by that certain Workout Agreement dated May 31, 2001 which provided for Borrower's repayment of the original principal amount of SEVEN MILLION FIVE HUNDRED THOUSAND DOLLARS AND NO CENTS (\$7,500,000.00) (the "Note");
- B. It has been agreed that the Maturity Date of the Note shall be extended for a period of time up to and including December 31, 2002;
- C. It has been agreed that the Lender shall prepay monthly rental payments of \$23,281.00 to Borrower for the period October 2002 through May 2003 which shall be applied to reduce the principal balance of the Note; and
- D. Lender, Borrower and Guarantors have agreed to amend the Note as provided below.

NOW, THEREFORE, for and in consideration of the premises and of the covenants hereinafter contained, the parties agree as follows:

1. Confirmation of Obligations. Borrower does hereby expressly confirm and agree that Borrower is primarily, jointly and severally, liable to Lender under the terms of the Note (as now existing and as herein amended), whether as a maker, guarantor, mortgagor or by way of assumption of liability. All terms of the Note and of any Mortgage securing the Note, and of any other document, instrument or thing arising in connection with the loan contemplated herein, shall continue in full force and effect, except as specifically amended herein.

2. Confirmation of Principal Balance. The parties confirm that, as of September 27, 2002, the unpaid principal balance of the Note is the sum of \$6,821,494.56.

3. Extension of Maturity Date. The Maturity Date of the Note is hereby extended for a period of time up to and including December 31, 2002. The Lender will review the note every six months, and reserves the right in its sole discretion to call for repayment of principal and interest then outstanding and unpaid. Default on the terms of the Note will supercede this review process, and entitle the Lender to call for immediate repayment of principal and interest then outstanding and unpaid.

EXHIBIT "2"

4. Interest Rate. Interest shall continue to accrue on all unpaid principal balances at the rate of Lender's Base Lending Rate ("BBLR") plus one percent (1.0%).

5. Payments. Monthly repayments of accrued principal and interest shall be modified from the existing SEVENTY-FIVE THOUSAND DOLLARS AND NO CENTS (\$75,000) to the amount of FIFTY-ONE THOUSAND SEVEN HUNDRED NINETEEN DOLLARS AND NO CENTS (\$51,719.00). The decrease in monthly repayment represents the existing monthly repayment of \$75,000.00 less the monthly rental payment of \$23,281.00. The modified payment shall be payable on the 30th day of each month for the period October 2002 to May 2003. Commencing June 30, 2003, the payments shall increase to the sum of SEVENTY-FIVE THOUSAND DOLLARS AND NO CENTS (\$75,000.00) per month until the Note is paid in full.

6. Satisfaction of Lease. Borrower acknowledges that Lender has prepaid all rents due and payable under the lease dated July 23, 1992, as extended and modified, in the amount of \$186,248.00. Borrower agrees that Lender has performed and satisfied all of the duties and obligations imposed by the lease and is hereby released from any further obligation whatsoever.

7. No Waiver. Nothing contained herein shall be construed as a waiver of any right or remedy which Lender may have under the terms of the Note or mortgages or other security instruments securing repayment of the Note.

IN WITNESS WHEREOF, Borrower, Lender and Additional Borrower have executed these presents on the day and year first above written.

"LENDER"

THE HONGKONG AND SHANGHAI
BANKING CORPORATION LIMITED

By: 

Name: G. PRIESTLEY

Its: CEO

"BORROWER"

K. SADHWANI'S, INC.

By: 

Name: K. SADHWANI

Its: _____



AMENDMENT TO CREDIT FACILITY/LEASE
K. SADHWANI'S, INC.

3

"GUARANTORS"


ALAN SADHWANI


LAJU SADHWANI

"PAY TO THE ORDER OF PARADISE MARINE CORPORATION WITHOUT RECOURSE,
REPRESENTATION OR WARRANTY, EXCEPT AS PROVIDED IN THE AGREEMENT
FOR PURCHASE AND SALE OF LOANS DATED ~~AUGUST~~ June 25, 2003 BETWEEN THE
HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED AND PARADISE
MARINE CORPORATION."

THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED

BY: 

TITLE: MANAGER GUAM